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## Guaranty Trust Company of New York

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### The Inspiration of Adversity

The Guaranty Trust Company of New York gives herewith some features of the plans being made by France to meet conditions after the war. This is the third of a series of papers upon the subject of financial and economic affairs in foreign countries, with particular reference to plans for extending their foreign trade.

**A**MERICA may well look to France for example and inspiration in making preparations for developing her foreign trade after the war. Particularly is this true because France is animated by the hope that her future financial and commercial relations with this country will emphasize the historic friendship of the two nations and give permanence to that mutual appreciation which grows out of present circumstances.

In all history there is no people whose rising to meet a seemingly overwhelming assault upon everything they considered worth while has had such power over the emotions of mankind. They are the glory of the world. To the discerning it will appear also that there has been something marvelous in the complete surrender of the nation as a whole to the idea that every available agency should be utilized for the single purpose of winning the war. The degree of concentration reached has been phenomenal. Through such use of her resources France has been able to sustain every shock of war despite the fact that some of her fairest portions have been overrun by the enemy since the beginning and others are useless except for military operations.

#### TRANSFORMING EMERGENCY INTO OPPORTUNITY

Now, with characteristic mental adjustability, the French people propose to transform emergency into opportunity. In all their preparations for reconstruction after the war there is disclosed an intent to make adversity their inspiration, and to apply to any problem that may arise the principles that have been at the foundation of their efficiency in war. It is their intention to keep under mobilization, for a considerable period after peace comes, that spirit of unity, coöperation and concentration

in enterprise that has kept the nation from vassalage during the last three and a half years. Taking account of such a purpose an English observer says that France will probably make greater progress in the next thirty years than any other European country.

#### FUTURE ECONOMIC RELATIONSHIPS

France recognizes clearly the double character of her future problem. She must restore the country itself and reëstablish its necessary and profitable relationships with other countries, and it is noteworthy that she looks to the United States for help in doing both. She proposes to place in this country those vast purchases of raw material, building supplies and machinery which she must have, and which she cannot get from her own colonies, and will not be able to get in sufficient quantities from other nations engaged like herself in the work of rehabilitation. She proposes to pay for these things and to meet the debts she now owes by selling to this country not only an increased quantity of those things in the manufacture of which she excels, but also those things for which this country in the past has looked to Germany. In her present temper France refuses to consider the possibility of resuming purchases of raw materials in Germany, as before the war, and she is so confident of what our feeling will be after more extended contact with the common enemy that she believes we shall rather buy from her than from Germany. Whatever may be the hopes of mankind with respect to a political league of nations after this war, it is evident that in France, as in England, there is a disposition among financiers, manufacturers and business men to eliminate Germany when proposals affecting future economic relationships are under consideration.

## THE CHEMICAL INDUSTRY

In nothing is this better illustrated than in French plans regarding the future of the chemical industry. After taking from Germany for many years those chemicals which enter so largely into her own highly specialized finished manufactures, France intends from now on to develop to the limit that production of raw materials for use in the manufacture of chemicals for which the necessity of war has proved her capacity, and to increase greatly the number of her factories engaged in the manufacture of chemicals. New companies have been organized and capitalizations have been increased since the war began, and special schools are graduating chemists trained technically and practically to enter the industry.

This same desire for economic independence of Germany is characteristic of the Republican Committee of Commerce, Industry and Agriculture which was founded in 1914 under the auspices of the Ministry of Commerce and which has been making an extensive study of economic conditions. This committee has been surveying the possibilities of the French colonies and of friendly countries to ascertain where products formerly imported from Germany are to be obtained. With an acute perception of future possibilities along these lines the French Government is now concluding agreements for materials with countries which it is hoped will prove to be permanent sources of supply.

## FRANCE'S INDUSTRIAL FAIRS

While France has been so nobly absorbed in war it is a further mark of the enormous energy of which her people are capable that from the very beginning of the conflict her industrial and business leaders have kept ever before them the likelihood of a period of intense competition after peace was proclaimed. They have seen that what Germany aimed at was economic monopoly rather than military dominance, and with spirit comparable to that of their fighting men they have set about to thwart that ambition. They know that, immediately the war ends, Germany will drive her ships laden with German goods into every country where she can possibly make a sale. To offset that intention the French are trying now through the medium of great fairs, with their outpourings of catalogues, pamphlets, leaflets, and posters, to acquaint all the world with the excellence of their wares, and also to learn from the exhibits of others where French importers may look for their requirements. Fifty-three groups of manufacturers participated in the 1917 fair at Lyons, and 937 classes of articles were represented. The number of firms taking part in this fair was 2,614, and the

transactions totalled 410,000,000 francs. The United States took over 50 per cent. of that business. The eleventh Paris Fair will be held next month, and so many applications have been received that it has been necessary to increase the number of exhibition halls.

At the close of the current year the war debt of France will probably be nearly \$24,000,000,000, or about four times what it was before the war. For several years France has been a lender to Russia and the present precarious state of that country has postponed the liquidation of this indebtedness. Probably Great Britain and the United States will make arrangements with their ally calculated to ease this burden somewhat, but even then the task of regaining her financial feet will require time to accomplish.

## ELEMENTS OF STRENGTH

France has certain elements of strength, however, upon which she is relying to bring her through the hard days of rehabilitation and to restore her former prosperity. She has a splendid climate, a productive soil, and a population of industrious and thrifty men and women. With her coal and iron mines, her crops of wheat, grapes, hemp, flax and jute, her skill in the manufacture of leathers, hosiery, cotton goods, glassware and silk goods, her future is exceptionally bright. There will probably pass from view, for a time at least, that France of highly specialized, highly individualized and artistic manufacture to which the world turned for tasteful luxuries. Her leaders look forward to a long period of standardized, quantitative production for the markets of new countries. They expect also to exploit the French colonies that can produce raw materials and absorb finished products. Until her debts are paid France is to become a nation of traders, if those who now guide her thought and aspirations can bring it about. Her people have been schooled to make great sacrifices. They are prepared to make still more.

## STRICT CONTROL OF FOREIGN TRADE

The exigencies of war have impelled France to exercise a supervision over her exports and imports. She has gone steadily toward her goal of bringing foreign trade under the strictest control, as have Great Britain and the United States, and it now appears that the Government is to take advantage of this fact in order to insure the country against any private interference with the proposed rebuilding and rehabilitation. To accomplish revival of industry at home, and the renewal of her foreign relationships, France must have easy and

cheap communications with her colonies and other countries. The prime essential is ships, and the plans of France to obtain such a merchant navy are illustrative of the degree of efficiency she has attained in making war measures serve the purposes of peace.

#### BUILDING A MERCHANT NAVY

All sea-going vessels have been requisitioned for Government service and placed under the orders of the Ministry of Maritime Transport and Merchant Marine. A rental is paid by the Government and an allowance for expenses, maintenance, working capital and other things made. Shipowners themselves manage their fleets, and are encouraged to make them as effective as possible by the distribution of bonuses. When one of these ships is sunk the Government undertakes to replace it.

#### THE SHIPPING PROGRAM

This replacement of ships is a cardinal point in French plans for the remainder of the war and after it. Ships cannot now be built in France. The Minister of Maritime Transport and Merchant Marine holds that to bring materials from the United States or England would handicap French shipbuilders because of the cost of the materials and transportation. This would mean that French exporters would have to pay higher freight rates to the owners after the ships were put into water. This would place not only the exporters but also all French industry under a handicap in the competition for markets that is to follow the war. In the circumstances he proposes that the State shall replace destroyed ships. Only from the Government will shipyards accept orders. He contends that the State can buy materials more cheaply, and that therefore it will be able to contract for new ships on a basis that will insure reasonable rates to the trader of the future. The Government contracts to replace ships in this manner within three years after the war is ended. These ships are to become the absolute property of those from whom their equivalents have been requisitioned.

#### A STATE-OWNED FLEET

On the other hand the Ministry proposes to build a State-owned fleet for the colonies. This fleet will be managed by shipowners, but the State will share in the profits and in the deficits. Hereafter, according to the intentions of the present Government, there will be no more subsidies for ships in which the Government will have no interest. The colonial fleet will be used in the trade of the French colonies, either with France or with other countries, and will

be the lever by which the Government will control cargo rates and the selling price of imports. Steps have also been taken to have the fleet now waiting for repairs put into shape for service immediately.

#### DEVELOPING HARBORS

With these plans for increasing the merchant navy, so essential to the development of foreign trade, go others for the improvement of harbors. France has today no harbor where ships of the largest type can dock. Many available places are being explored, and plans have in some cases been drawn for the enlargement of harbors and the reconstruction of ports on a scale commensurate with French hopes for a revival of foreign trade. Closely related to this development of ports is the plan to coördinate railroads and shipping lines, especially across the Mediterranean to Algiers and Tunis. All these undertakings indicate the importance which the French attach to making ready, so far as the war will permit, to handle an unprecedented amount of business, domestic and foreign.

#### AGRICULTURE

While France can not avoid making extensive purchases of building materials and machinery abroad, she will be able, if present plans go through, to curtail largely her food imports. Wheat, barley, and rye are grown ordinarily, but the war has brought many changes and the French people have been getting acquainted with the cheaper cereals. They are trying to appreciate Indian corn, and millet and rice flour are now used in mixtures. Naturally frugal, the French may be relied upon to seize upon any advantages in this line which will solve their problem of living cheaply during the reconstruction period. It can hardly be doubted that the advice contained in a Government report on war economy will be applied in the trying days still to come. In that report it was recommended that every parcel of soil not cultivated be sown without delay with wheat, barley, Indian corn, and oats, and be planted with potatoes and vegetables. It is a country of peasant owners out of whose hoardings many of the war's expenditures have been met. Under the impetus of necessity their heeding of such advice is a foregone conclusion.

Legislation to increase agricultural production is being framed by the Minister of Agriculture. Deserted territory will be brought under cultivation. A back-to-the-farm movement has been inaugurated and bonuses are to be given to those who abandon their ancient implements for modern agricultural machinery.

## RECONSTRUCTION

France has no such resources of men and materials as have Great Britain and the United States for building a future out of the wreck that has been made of her land, her forests, her mines, her industries, and her shipping, by this war. She has nevertheless a rejuvenating spirit that will carry her far along the path she has chosen. She understands fully that without the most intense application of energy to such resources as she has, increased production, elimination of all waste, and a resolute effort to win foreign markets she will be unable to regain her standing among commercial nations. That effort she is making. She invites the United States to establish relations with her that will be of mutual benefit. There is for this country no greater opportunity for service and legitimate profit.

## THE SUPREME TASK TODAY

There is neither time nor energy to spare in France just now to undertake the vast problem of rebuilding, remaking and reviving her shattered country. Her immediate problem is to repel the invader. With all the strength and resolution they have her people bend now to the supreme task. Over her fair cities and pleasant fields falls the shadow that fourteen centuries ago buried the wealth and learning and culture of Rome beneath the ruin of political and military despotism. This time, however, the destroyer must reckon with elements of unity, moral strength and capacity for suffering such as decadent Rome never knew. France will meet and solve this problem. Thereafter her future is secure.